

NIBLEY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2006

**NIBLEY CITY CORPORATION  
FINANCIAL REPORT  
JUNE 30, 2006**

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members  
Nibley City Corporation  
Nibley City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Nibley City Corporation, Utah (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Nibley City Corporation as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2006, on our consideration of Nibley City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wiggins & Co., PC*

Brigham City, Utah

December 1, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nibley City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. The General Fund includes governmental activities such as administration, fire and first responder services, police protection, roads, parks, sanitation, planning and zoning, etc. The Enterprise Funds comprise utilities of water, sewer and storm water. Also included is the financial information for the Municipal Building Authority of Nibley City. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: Nibley City Corporation 625 West 3200 South, Nibley, Utah 84321.

### Financial Highlights

The total net assets of Nibley City Corporation increased by \$1,001,257, totaling \$10,545,467. The governmental activities' net assets increased by \$245,488 and the business-type activities' net assets increased by \$755,769.

The total net assets of Nibley City Corporation is \$10,545,467, and is made up of \$7,222,287 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$3,323,180. Of this amount, \$696,926 is unrestricted. The remaining \$2,626,254 is restricted for such items as debt service reserves, special revenue funds, capital projects and impact fees.

Total long-term liabilities of the City decreased by \$479,924. The long-term debt the City has incurred is for water system improvements in the Water Fund and the construction of new sewer system improvements, recorded in the Sewer Fund. The City also has entered into a capital lease for the acquisition of a street sweeper in the amount of \$89,120. The total outstanding long-term debt of the City at June 30, 2006, was \$8,107,017.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Nibley City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 9-10 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds**—These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds in a reconciliation included with the fund financial statements.

The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The two major funds reported are the General Fund and the Capital Project Fund. The City also has a Special Revenue Fund, which is reported as a non-major fund in the fund financial statements.

**Proprietary Funds**—The City maintains four enterprise funds which are proprietary in nature. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Culinary Water Utility, Sewer Utility, Storm Water Utility and the Municipal Building Authority. Each utility is reported as a separate enterprise fund. As determined by generally accepted accounting principles, the Culinary Water and Sewer utility funds meet the criteria for major fund classification. The two remaining funds are combined and reported as other (nonmajor) enterprise

**Fiduciary Funds**—These funds are used to account for resources held for the benefit of parties outside the City. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting method used for these funds is much like that used for proprietary funds. The City has only one fiduciary fund that is reported in the financial statements, the Justice Court Agency Fund.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For Nibley City Corporation, assets exceeded liabilities by \$10,545,467 at June 30, 2006.

By far the largest portion of the City's net assets (68%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is outstanding at year end. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the operations of the funds wherein the capital assets are recorded, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the net assets of the City is as follows:

Governmental Activities:

	2006	2005	Total Changes
Current and other assets	\$ 1,399,003	\$ 1,365,040	\$ 33,963
Capital assets	5,002,913	4,577,408	425,505
Total assets	6,401,916	5,942,448	459,468
Current and other liabilities	213,955	138,655	75,300
Long-term liabilities	-	14,847	(14,847)
Total liabilities	213,955	153,502	60,453
Net assets:			
Invested in capital assets, net			
of related debt	4,988,066	4,548,251	439,815
Restricted	1,034,854	1,009,776	25,078
Unrestricted	165,041	230,919	(65,878)
Total net assets	\$ 6,187,961	\$ 5,788,946	\$ 399,015

Business-type activities:

	2006	2005	Total Changes
Current and other assets	\$ 2,134,079	\$ 1,933,195	\$ 200,884
Capital assets	10,326,391	10,275,512	50,879
Total assets	12,460,470	12,208,707	251,763
Current and other liabilities	288,471	514,509	(226,038)
Long-term liabilities	7,814,493	8,092,461	(277,968)
Total liabilities	8,102,964	8,606,970	(504,006)
Net assets:			
Invested in capital assets, net			
of related debt	2,234,221	1,717,728	516,493
Restricted	1,591,400	1,603,000	(11,600)
Unrestricted	531,885	281,009	250,876
Total net assets	\$ 4,357,506	\$ 3,601,737	\$ 755,769

The City's total net assets increased by \$1,001,257 as summarized below:

**Governmental Activities:**

	<u>2006</u>	<u>2005</u>	<u>Total Changes</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 656,249	\$ 618,776	\$ 37,473
Operating grants and	115,807	96,247	19,560
Capital grants and contributions	-	-	-
<b>General revenues:</b>			
Property taxes	197,544	174,779	22,765
Sales taxes	227,440	188,477	38,963
Franchise taxes	137,510	116,163	21,347
Telecom taxes	29,038	17,243	11,795
Restaurant taxes	8,341	2,489	5,852
Unrestricted investment earnings	55,207	34,892	20,315
Gain on sale of fixed assets	-	-	-
<b>Transfers</b>	<b>96,000</b>	<b>60,000</b>	<b>36,000</b>
<b>Total revenues</b>	<b><u>1,523,136</u></b>	<b><u>1,309,066</u></b>	<b><u>214,070</u></b>
<b>Expenses:</b>			
Legislative	29,413	26,345	3,068
Judicial	25,041	30,218	(5,177)
Administration	295,545	337,019	(41,474)
Legal	12,489	8,179	4,310
Elections	2,961	102	2,859
Public works	73,172	-	73,172
Public safety	96,385	83,162	13,223
Highways and streets	309,317	372,827	(63,510)
Sanitation	151,580	119,181	32,399
Shop	38,893	18,113	20,780
Planning, zoning and engineering	43,798	28,566	15,232
Culture, parks and recreation	189,984	62,410	127,574
Community progress	9,070	11,127	(2,057)
<b>Total expenses</b>	<b><u>1,277,648</u></b>	<b><u>1,097,249</u></b>	<b><u>180,399</u></b>
<b>Change in net assets</b>	<b><u>\$ 245,488</u></b>	<b><u>\$ 211,817</u></b>	<b><u>\$ 33,671</u></b>

**Business-type activities:**

<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 1,534,767	\$ 1,410,309	\$ 124,458
Operating grants and	-	-	-
Capital grants and contributions	-	-	-
<b>General revenues:</b>			
Unrestricted investment earnings	79,865	31,796	48,069
Gain on sale of fixed assets	-	-	-
<b>Transfers</b>	<b>(96,000)</b>	<b>(60,000)</b>	<b>(36,000)</b>
<b>Total revenues</b>	<b><u>1,518,632</u></b>	<b><u>1,382,105</u></b>	<b><u>136,527</u></b>
<b>Expenses:</b>			
Water	325,604	208,501	117,103
Sewer	411,913	374,504	37,409
Storm water	13,075	800	12,275
Municipal Building Authority	12,271	16,031	(3,760)
<b>Total expenses</b>	<b><u>762,863</u></b>	<b><u>599,836</u></b>	<b><u>163,027</u></b>
<b>Change in net assets</b>	<b><u>\$ 755,769</u></b>	<b><u>\$ 782,269</u></b>	<b><u>\$ (26,500)</u></b>



The change in the City's assets is mainly due to the positive change in net assets (revenues over expenses). The decrease in liabilities is mainly due to an increase in deposits payable and the debt principal repayments totaling \$479,924.

The City continues to experience residential and commercial growth. As a result of this growth, the revenues from property tax, sales tax and franchise tax continue to increase. The expenses increased mainly due to increases in public works, professional and technical services, maintenance and repairs, depreciation and personnel costs. The defined benefit retirement plan that the City participates in did not experience a rate increase in 2006 but health and accident insurance did increase.

The increase in utility revenue is primarily due to increases in water and sewer connections and the implementation of a storm water utility fee. Personnel costs increased in 2006 mainly due to the above mentioned insurance increases and rate and overtime increases. The waste water treatment expenses paid to Logan City increased by \$15,834 due mainly to increased usage and connections to the system.

#### **Fund Financial Analysis**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2006, the City's governmental funds (General, Special Revenue and Capital Projects) reported combined fund balances of \$1,199,895. This represents a decrease of \$(40,800) during fiscal year 2006.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 47% of total General Fund revenues. The largest element of taxes is sales tax, representing 38% of total tax revenue and 18% of total General Fund revenues.

As stated earlier, the City maintains several Enterprise Funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide much more detail. See pages 16-19 of the financial report for this information.

#### **Budgetary Highlights**

During the year, the budgets of each fund were established and then amended to account for increases in revenue and expenses. Primarily the revenue changes were to bring revenues for taxes, licenses and permits, charges for services and investment earnings into line with the year end revenue projections. Expenses were changed to account for personnel cost increases, repairs and maintenance increases and construction projects.

#### **Capital Asset and Debt Administration**

The City's investment in capital assets for all activities at June 30, 2006, amounted to \$18,642,029. Accumulated depreciation on capital assets was \$3,312,725. Net capital assets amounted to \$15,329,304 at June 30, 2006. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2006 was \$877,541. Depreciation expense for 2006 was \$554,682, with \$267,990 recorded in governmental activities and \$286,692 recorded in business-type activities.

Major capital asset increases during 2006 are as follows:

Park development and improvements  
 Construction and improvement of highways and streets  
 Equipment for highways and streets  
 Waterline construction  
 Purchase of water shares  
 Acquisition of land and construction of lines for new development to enhance the sewer system.

A comparison of the capital assets of the City is as follows:

Governmental activities:

	2006	2005	Total Changes
Land	\$ 1,326,143	\$ 1,261,143	\$ 65,000
Buildings	-	-	-
Improvements	276,485	276,485	-
Infrastructure	4,374,102	4,369,801	4,301
Machinery & equipment	398,005	273,408	124,597
Construction in progress	414,796	68,724	346,072
	6,789,531	6,249,561	539,970
Less: accumulated depreciation	(1,786,618)	(1,518,628)	(267,990)
Total capital assets-governmental activities	\$ 5,002,913	\$ 4,730,933	\$ 271,980

Business-type activities:

Land	\$ 341,444	\$ 276,210	\$ 65,234
Water shares	18,744	-	18,744
Buildings	314,116	314,116	-
Improvements	10,837,155	10,781,374	55,781
Machinery & equipment	147,993	130,598	17,395
Construction in progress	193,046	12,629	180,417
	11,852,498	11,514,927	337,571
Less: accumulated depreciation	(1,526,107)	(1,239,415)	(286,692)
Total capital assets-business-type activities	\$ 10,326,391	\$ 10,275,512	\$ 50,879

Additional information on the City's capital assets can be found in the notes to the financial statements in this financial report.

The City had total outstanding long-term debt as of June 30, 2006 of \$8,107,017.

The detail of the long-term debt accounts is as follows:

	2006	2005	Total changes
Capital lease - governmental	\$ 14,847	\$ 29,157	\$ (14,310)
Capital lease - business-type	14,846	29,156	(14,310)
Municipal Building Authority bonds	129,000	151,000	(22,000)
Water Notes Payable	158,226	165,476	(7,250)
Water Bonds Payable	441,098	473,152	(32,054)
Sewer Bonds Payable	7,349,000	7,739,000	(390,000)
Total Long-term Debt	\$ 8,107,017	\$ 8,586,941	\$ (479,924)

Additional information on the City's long-term debt can be found in the notes to the financial statements in this financial report.

NIBLEY CITY CORPORATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 992,437	\$ 430,559	\$ 1,422,996
Receivables			
Taxes	6,174	-	6,174
Accounts	19,301	108,560	127,861
Intergovernmental	24,127	-	24,127
Due from other funds	4,694	-	4,694
Prepaid expenses	-	3,560	3,560
Restricted cash and cash equivalents	352,270	1,591,400	1,943,670
Capital assets (net of accumulated depreciation)			
Land and easements	1,326,143	341,444	1,667,587
Water shares	-	18,744	18,744
Buildings	-	225,087	225,087
Improvements	187,325	9,469,591	9,656,916
Machinery and equipment	208,210	78,479	286,689
Infrastructure	2,866,439	-	2,866,439
Construction in progress	414,796	193,046	607,842
Total Assets	6,401,916	12,460,470	18,862,386
<b>LIABILITIES</b>			
Accounts payable	61,388	4,433	65,821
Accrued liabilities	-	-	-
Contracts and deposits payable	137,720	-	137,720
Accrued interest payable	-	1,667	1,667
Due to other funds	-	4,694	4,694
Noncurrent liabilities - due within one year	14,847	277,677	292,524
Noncurrent liabilities - due in more than one year	-	7,814,493	7,814,493
Total Liabilities	213,955	8,102,964	8,316,919
<b>NET ASSETS</b>			
Investment in capital assets, net of debt	4,988,066	2,234,221	7,222,287
Restricted for:			
Culture, parks and recreation	352,270	-	352,270
System development	-	1,431,794	1,431,794
Debt service	-	159,606	159,606
Special revenues	84,684	-	84,684
Capital projects	597,900	-	597,900
Unrestricted	165,041	531,885	696,926
Total Net Assets	\$ 6,187,961	\$ 4,357,506	\$ 10,545,467

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
Legislative	\$ 29,413	\$ -	\$ -	\$ -	\$ (29,413)	\$ -	\$ (29,413)
Judicial	25,041	61,373	-	-	36,332	-	36,332
Administration	295,545	232,266	-	-	(63,279)	-	(63,279)
Legal	12,489	-	-	-	(12,489)	-	(12,489)
Elections	2,961	-	-	-	(2,961)	-	(2,961)
Public works	73,172	-	-	-	(73,172)	-	(73,172)
Public safety	96,385	23,798	1,888	-	(70,699)	-	(70,699)
Highways and streets	309,317	1,881	113,469	-	(193,967)	-	(193,967)
Sanitation	151,580	156,484	-	-	4,904	-	4,904
Shop	38,893	-	-	-	(38,893)	-	(38,893)
Planning and zoning	43,798	16,302	-	-	(27,496)	-	(27,496)
Culture, parks and recreation	189,984	154,525	-	-	(35,459)	-	(35,459)
Community development	9,070	9,620	450	-	1,000	-	1,000
Total governmental activities	1,277,648	656,249	115,807	-	(505,592)	-	(505,592)
Business-type activities:							
Municipal building authority	12,271	26,500	-	-	-	14,229	14,229
Water	325,604	754,662	-	-	-	429,058	429,058
Sewer	411,913	698,728	-	-	-	286,815	286,815
Storm water	13,075	54,877	-	-	-	41,802	41,802
Total business-type activities	762,863	1,534,767	-	-	-	771,904	771,904
Total primary government	\$ 2,040,511	\$ 2,191,016	\$ 115,807	\$ -	(505,592)	771,904	266,312
General revenues							
Property taxes					197,544	-	197,544
Sales taxes					227,440	-	227,440
Franchise taxes					137,510	-	137,510
Telecom taxes					29,038	-	29,038
Restaurant taxes					8,341	-	8,341
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					55,207	79,865	135,072
Gain on sale of capital assets					-	-	-
Transfers					96,000	(96,000)	-
Total general revenues and transfers					751,080	(16,135)	734,945
Change in net assets					245,488	755,769	1,001,257
Net assets - beginning,					5,942,473	3,601,737	9,544,210
Net assets - ending					\$ 6,187,961	\$ 4,357,506	\$ 10,545,467

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Major Governmental Funds		Other Non-major	Total
	General	Capital Projects Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 303,828	\$ 603,925	\$ 84,684	\$ 992,437
Receivables:				
Taxes	6,174	-	-	6,174
Accounts	19,301	-	-	19,301
Intergovernmental	24,127	-	-	24,127
Due from other funds	4,694	-	-	4,694
Restricted cash and cash equivalents	352,270	-	-	352,270
Total assets	<u>\$ 710,394</u>	<u>\$ 603,925</u>	<u>\$ 84,684</u>	<u>\$ 1,399,003</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 55,363	\$ 6,025	\$ -	\$ 61,388
Accrued payroll liabilities	-	-	-	-
Contracts and deposits payable	137,720	-	-	137,720
Deferred revenue	-	-	-	-
Total liabilities	<u>193,083</u>	<u>6,025</u>	<u>-</u>	<u>199,108</u>
Fund balances				
Reserved for Class C Roads	-	-	-	-
Reserved for park development	352,270	-	-	352,270
Unreserved:				
Undesignated	165,041	597,900	84,684	847,625
Total fund balances	<u>517,311</u>	<u>597,900</u>	<u>84,684</u>	<u>1,199,895</u>
Total liabilities and fund balances	<u>\$ 710,394</u>	<u>\$ 603,925</u>	<u>\$ 84,684</u>	<u>\$ 1,399,003</u>

The notes to the financial statements are an integral part of this statement.

**NIBLEY CITY CORPORATION**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**NET ASSETS**  
**JUNE 30, 2006**

**Total fund balances-governmental funds** **\$ 1,199,895**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$ 1,326,143	
Buildings	-	
Improvements	276,485	
Machinery and equipment	398,005	
Infrastructure	4,374,102	
Construction in progress	414,796	
Accumulated depreciation	<u>(1,786,618)</u>	
Total capital assets		5,002,913

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital lease payable	<u>(14,847)</u>	
Total liabilities		<u>(14,847)</u>

**Total net assets-governmental funds** **\$ 6,187,961**

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Major Governmental Funds		Other Non-major Governmental Funds	Total Governmental Funds
	General	Capital Projects Fund		
<b>REVENUES</b>				
Taxes:				
Property	\$ 197,544	\$ -	\$ -	\$ 197,544
Sales	227,440	-	-	227,440
Franchise	137,510	-	-	137,510
Telecom	29,038	-	-	29,038
Restaurant tax grant	4,625	3,716	-	8,341
Licenses and permits	204,360	-	-	204,360
Intergovernmental	115,807	-	-	115,807
Charges for services	201,916	32,843	1,881	236,640
Fines	61,373	-	-	61,373
Investment earnings	53,090	-	2,117	55,207
Miscellaneous	37,526	-	-	37,526
Total revenues	<u>1,270,229</u>	<u>36,559</u>	<u>3,998</u>	<u>1,310,786</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	29,413	-	-	29,413
Judicial	25,041	-	-	25,041
Administration	308,071	-	-	308,071
Legal	12,489	-	-	12,489
Elections	2,961	-	-	2,961
Public works	74,552	-	-	74,552
Public safety	96,385	-	-	96,385
Highways and streets	156,081	292,348	4,301	452,730
Sanitation	151,580	-	-	151,580
Shop	38,893	-	-	38,893
Planning and zoning	43,798	-	-	43,798
Culture, parks and recreation	169,527	134,022	-	303,549
Community development	9,070	-	-	9,070
Total expenditures	<u>1,117,861</u>	<u>426,370</u>	<u>4,301</u>	<u>1,548,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>152,368</u>	<u>(389,811)</u>	<u>(303)</u>	<u>(237,746)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	96,000	264,185	-	360,185
Transfers out	(264,185)	-	-	(264,185)
Impact fees	116,350	-	-	116,350
Interest payments-capital lease	(1,094)	-	-	(1,094)
Principal payments-capital lease	(14,310)	-	-	(14,310)
Total other financing sources and uses	<u>(67,239)</u>	<u>264,185</u>	<u>-</u>	<u>196,946</u>
Net change in fund balances	<u>85,129</u>	<u>(125,626)</u>	<u>(303)</u>	<u>(40,800)</u>
Fund balances - beginning	<u>432,182</u>	<u>723,526</u>	<u>84,987</u>	<u>1,240,695</u>
Fund balances - ending	<u>\$ 517,311</u>	<u>\$ 597,900</u>	<u>\$ 84,684</u>	<u>\$ 1,199,895</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds \$ (40,800)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets (\$539,970) exceeded depreciation (\$267,990) in the current period. 271,980

The proceeds from capital lease are recorded as an other financing source in the governmental funds, but are not reported in the statement of activities -

The liability for capital leases is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, not reported as expense in the statement of activities. 14,308

Change in net assets of governmental activities \$ 245,488

The notes to the financial statements are an integral part of this statement.



NIBLEY CITY CORPORATION  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 181,900	\$ 205,400	\$ 197,544	\$ (7,856)
Sales	180,000	238,000	227,440	(10,560)
Franchise	103,000	122,000	137,510	15,510
Telecom	11,000	22,000	29,038	7,038
Restaurant	2,500	2,500	4,625	2,125
Licenses and permits	109,000	194,500	204,360	9,860
Intergovernmental	108,900	112,900	115,807	2,907
Charges for services	154,000	191,400	201,916	10,516
Fines	45,200	58,200	61,373	3,173
Investment earnings	8,000	37,000	53,090	16,090
Miscellaneous	7,800	48,500	37,526	(10,974)
Total revenues	<u>911,300</u>	<u>1,232,400</u>	<u>1,270,229</u>	<u>37,829</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative	24,100	32,000	29,413	2,587
Judicial	28,800	28,000	25,041	2,959
Administration	293,400	353,500	308,071	45,429
Legal	7,000	12,500	12,489	11
Elections	1,500	3,000	2,961	39
Public works	63,300	74,000	74,552	(552)
Public safety	93,200	95,700	96,385	(685)
Highways and streets	186,000	199,500	156,081	43,419
Sanitation	120,000	140,000	151,580	(11,580)
Shop	18,000	33,000	38,893	(5,893)
Planning and zoning	33,000	35,700	43,798	(8,098)
Culture, parks and recreation	107,500	303,935	169,527	134,408
Community development	13,500	12,115	9,070	3,045
Total expenditures	<u>989,300</u>	<u>1,322,950</u>	<u>1,117,861</u>	<u>205,089</u>
Excess of revenues over expenditures	<u>(78,000)</u>	<u>(90,550)</u>	<u>152,368</u>	<u>242,918</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	60,000	162,000	96,000	(66,000)
Transfers out	(15,000)	(264,185)	(264,185)	-
Impact fees	100,000	100,000	116,350	16,350
Interest payments-capital lease	-	(1,190)	(1,094)	96
Principal payments-capital lease	-	(14,310)	(14,310)	-
Total other financing sources and uses	<u>145,000</u>	<u>(17,685)</u>	<u>(67,239)</u>	<u>(49,554)</u>
Net change in fund balances	<u>67,000</u>	<u>(108,235)</u>	<u>85,129</u>	<u>193,364</u>
Fund balances - beginning	<u>432,182</u>	<u>432,182</u>	<u>432,182</u>	<u>-</u>
Fund balances - ending	<u>\$ 499,182</u>	<u>\$ 323,947</u>	<u>\$ 517,311</u>	<u>\$ 193,364</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	<u>Major Enterprise Funds</u>		<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>		
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 182,826	\$ 232,727	\$ 15,006	\$ 430,559
Receivables:				
Accounts	66,281	37,037	5,242	108,560
Prepaid expenses	657	-	2,903	3,560
<b>Total current assets</b>	<u>249,764</u>	<u>269,764</u>	<u>23,151</u>	<u>542,679</u>
<b>Noncurrent assets:</b>				
<b>Restricted cash, cash equivalents, and investments:</b>				
Revenue bond covenant accounts	64,002	95,604	-	159,606
System development	528,786	903,008	-	1,431,794
<b>Capital assets:</b>				
Land and easements	26,320	305,124	10,000	341,444
Water shares	18,744	-	-	18,744
Buildings	-	-	225,087	225,087
Improvements other than buildings	1,974,989	7,485,489	9,113	9,469,591
Machinery and equipment	39,118	-	39,361	78,479
Construction in progress	180,417	-	12,629	193,046
<b>Total noncurrent assets</b>	<u>2,832,376</u>	<u>8,789,225</u>	<u>296,190</u>	<u>11,917,791</u>
<b>Total assets</b>	<u>\$ 3,082,140</u>	<u>\$ 9,058,989</u>	<u>\$ 319,341</u>	<u>\$ 12,460,470</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	<u>Major Enterprise Funds</u>		<u>Nonmajor</u>	<u>Total Enterprise</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Enterprise</u>	<u>Funds</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 2,475	\$ 752	\$ 1,206	\$ 4,433
Accrued payroll liabilities	-	-	-	-
Due to other funds	-	-	4,694	4,694
Capital lease, current portion	-	-	14,846	14,846
Total current liabilities	<u>2,475</u>	<u>752</u>	<u>20,746</u>	<u>23,973</u>
Current liabilities payable from restricted assets:				
Revenue bonds and notes payable	39,831	200,000	23,000	262,831
Accrued interest payable	1,667	-	-	1,667
Total current liabilities payable from restricted assets	<u>41,498</u>	<u>200,000</u>	<u>23,000</u>	<u>264,498</u>
Noncurrent liabilities:				
Capital lease	-	-	-	-
Revenue bonds and notes payable	559,493	7,149,000	106,000	7,814,493
Total noncurrent liabilities	<u>559,493</u>	<u>7,149,000</u>	<u>106,000</u>	<u>7,814,493</u>
Total liabilities	<u>603,466</u>	<u>7,349,752</u>	<u>149,746</u>	<u>8,102,964</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,640,264	441,613	152,344	2,234,221
Restricted for system development	528,786	903,008	-	1,431,794
Restricted for debt service	64,002	95,604	-	159,606
Unrestricted	245,622	269,012	17,251	531,885
Total net assets	<u>\$ 2,478,674</u>	<u>\$ 1,709,237</u>	<u>\$ 169,595</u>	<u>\$ 4,357,506</u>

The notes to the financial statements are an integral part of this statement.

**NIBLEY CITY CORPORATION**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Major Enterprise Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Enterprise</u>	<u>Enterprise</u>
			<u>Funds</u>	<u>Funds</u>
Operating revenues:				
Charges for sales and services:				
Water	\$ 430,662	\$ -	\$ -	\$ 430,662
Sewer	-	378,828	-	378,828
Storm drain	-	-	54,877	54,877
Municipal Building Authority	-	-	26,500	26,500
Total operating revenues	<u>430,662</u>	<u>378,828</u>	<u>81,377</u>	<u>890,867</u>
Operating expenses:				
Water	231,355	-	-	231,355
Sewer	-	207,843	-	207,843
Storm water	-	-	7,526	7,526
Municipal Building Authority	-	-	109	109
Depreciation	69,402	204,070	13,220	286,692
Total operating expenses	<u>300,757</u>	<u>411,913</u>	<u>20,855</u>	<u>733,525</u>
Operating income	<u>129,905</u>	<u>(33,085)</u>	<u>60,522</u>	<u>157,342</u>
Nonoperating revenues (expenses):				
Impact fees	324,000	319,900	-	643,900
Intergovernmental	-	-	-	-
Investment earnings	32,559	47,306	-	79,865
Interest and fiscal charges	(24,847)	-	(4,491)	(29,338)
Gain (Loss) on sale of fixed assets	-	-	-	-
Total nonoperating revenue (expenses)	<u>331,712</u>	<u>367,206</u>	<u>(4,491)</u>	<u>694,427</u>
Income before contributions and transfers	<u>461,617</u>	<u>334,121</u>	<u>56,031</u>	<u>851,769</u>
Transfers in	-	-	1,000	1,000
Transfers out	<u>(48,000)</u>	<u>(49,000)</u>	<u>-</u>	<u>(97,000)</u>
Change in net assets	<u>413,617</u>	<u>285,121</u>	<u>57,031</u>	<u>755,769</u>
Total net assets - beginning	<u>2,065,057</u>	<u>1,424,116</u>	<u>112,564</u>	<u>3,601,737</u>
Total net assets - ending	<u>\$ 2,478,674</u>	<u>\$ 1,709,237</u>	<u>\$ 169,595</u>	<u>\$ 4,357,506</u>

The notes to the financial statements are an integral part of this statement.

**NIBLEY CITY CORPORATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Major Enterprise Funds</b>		<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 390,250	\$ 374,186	\$ 76,135	\$ 840,571
Payments to suppliers	(187,030)	(218,437)	(9,332)	(414,799)
Payments to employees	(42,507)	(35,940)	-	(78,447)
Other receipts	-	-	-	-
Other payments	-	-	-	-
Net cash provided by operating activities	<u>160,713</u>	<u>119,809</u>	<u>66,803</u>	<u>347,325</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Short-term loan (to) from other funds	-	-	-	-
Payment received on short-term loans	16,690	-	(11,996)	4,694
Transfer out to other funds	(48,000)	(49,000)	1,000	(96,000)
Net cash provided (used) by noncapital financing activities	<u>(31,310)</u>	<u>(49,000)</u>	<u>(10,996)</u>	<u>(91,306)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(251,677)	(85,894)	-	(337,571)
Intergovernmental grants	-	-	-	-
Proceeds from capital lease	-	-	-	-
Payment on capital lease	-	-	-	-
Receipts from impact fees	324,000	319,900	-	643,900
Proceeds from bonds and notes payable	-	-	-	-
Payment on revenue bonds and notes payable	(39,304)	(390,000)	(36,310)	(465,614)
Interest paid on revenue bonds and notes payable	(25,080)	-	(4,491)	(29,571)
Net cash provided (used) from capital and related financing activities	<u>7,939</u>	<u>(155,994)</u>	<u>(40,801)</u>	<u>(188,856)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	32,559	47,306	-	79,865
Net cash provided from investing activities	<u>32,559</u>	<u>47,306</u>	<u>-</u>	<u>79,865</u>
Net increase (decrease) in cash and cash equivalents	169,901	(37,879)	15,006	147,028
Cash and cash equivalents beginning of year	605,713	1,269,218	-	1,874,931
Cash and cash equivalents end of year	<u>\$ 775,614</u>	<u>\$ 1,231,339</u>	<u>\$ 15,006</u>	<u>\$ 2,021,959</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income	\$ 129,905	\$ (33,085)	60,522	\$ 157,342
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	69,402	204,070	13,220	286,692
Change in assets and liabilities:				
Accounts receivable	(40,412)	(4,642)	(5,242)	(50,296)
Prepaid expenses	(657)	-	(2,903)	(3,560)
Accounts payable	2,475	(46,534)	1,206	(42,853)
Net cash provided by (used in) operating activities	<u>\$ 160,713</u>	<u>\$ 119,809</u>	<u>\$ 66,803</u>	<u>\$ 347,325</u>

The accompanying notes are an integral part of these financial statements.

**NIBLEY CITY CORPORATION  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUSTICE COURT AGENCY FUND  
JUNE 30, 2006**

**ASSETS**

Cash and cash equivalents	\$ 7,598
Total assets	<u>\$ 7,598</u>

**LIABILITIES**

Due to other governments	\$ 7,598
Total liabilities	<u>\$ 7,598</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, sanitation, culture, parks, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Nibley City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds and blended component units, which collectively are referred to as the financial reporting entity of the City. The Municipal Building Authority of Nibley City is considered to be a component unit of the City. No other entities were determined to be component units of the City.

**Blended component units.** The Municipal Building Authority of Nibley City is governed by a six-member board who are the mayor and city council members. Its sole purpose is to finance and construct the City's public facilities. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a blended component unit.

**B. Government-wide and Fund Financial Statements**

**Government-wide Financial statements.** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

**Fund Financial Statements.** Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining enterprise funds are combined into a single column and reported as other (nonmajor) funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

**Governmental Fund Financial Statements.** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are reported as deferred revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes, and transient room taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

**General Fund**—The General Fund accounts for all activities not accounted for by other funds of the City. The principal sources of revenue for this fund are taxes, charges for services and impact fees.

**Capital Project Fund**—The Capital Project Fund is used to account for the acquisition or construction of fixed assets. In this instance, it is used to account for the highways and streets and park development.

The City has one non-major governmental fund, which is reported as a Special Revenue Fund. The fund accounts for special assessments to landowners.



NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Proprietary Fund Financial Statements.** Proprietary funds include enterprise funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The City reports the following major proprietary funds:

Water Fund - the water fund is used to account for revenue and expenses for water services.

Sewer Fund - the sewer fund is used to account for revenue and expenses for sewer services.

The City's nonmajor proprietary funds are the municipal building authority fund and the storm water fund. The municipal building authority fund accounts for the general buildings and land owned by the component unit and used by the City. The storm water fund accounts for funds charged to citizens for storm drain construction and operations.

**D. Budgets**

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the general fund; however, any transfer of budgeted amounts between departments within the general fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the general fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer and City Recorder in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund's allocated portion of pooled cash and investments is considered to be cash and cash equivalents, since this amount is immediately available for use by the fund.

**F. Interfund transactions**

Interfund transactions represent transactions between different funds within the City. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

**G. Private-sector Standards of Accounting and Financial Reporting**

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

**H. Capital Assets**

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads, bridges, lighting and sidewalks) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$1,000; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds is capitalized. During 2006, no interest was capitalized.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital assets (continued)**

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-40 years

**I. Compensated Absences**

It is the City's policy to permit employees to accumulate earned vacation but to use it before year end. An estimate of vacation pay is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

**J. Long-term liabilities**

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**L. Property Taxes**

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenue are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 2. RECEIVABLES**

Receivables at June 30, 2006, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
<b>Governmental activities:</b>				
General Fund	\$ 6,174	\$ 24,127	\$ 19,301	\$ 49,602
Total receivables	<u>\$ 6,174</u>	<u>\$ 24,127</u>	<u>\$ 19,301</u>	<u>\$ 49,602</u>
<b>Business-type activities:</b>				
Water Fund	\$ -	\$ -	\$ 66,281	\$ 66,281
Sewer Fund	\$ -	\$ -	\$ 37,037	37,037
Storm Water Fund	-	-	5,242	5,242
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,560</u>	<u>\$ 108,560</u>

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 1,261,143	\$ 65,000	\$ -	\$ 1,326,143
Construction in progress	68,724	346,072	-	414,796
Total capital assets not being depreciated	<u>1,329,867</u>	<u>411,072</u>	<u>-</u>	<u>1,740,939</u>
Capital assets being depreciated:				
Buildings	-	-	-	-
Improvements	276,485	-	-	276,485
Machinery and equipment	273,408	124,597	-	398,005
Infrastructure	4,369,801	4,301	-	4,374,102
Total capital assets being depreciated	<u>4,919,694</u>	<u>128,898</u>	<u>-</u>	<u>5,048,592</u>
Less accumulated depreciation				
Buildings	-	-	-	-
Improvements	(70,068)	(19,092)	-	(89,160)
Machinery and equipment	(168,464)	(21,331)	-	(189,795)
Infrastructure	(1,280,096)	(227,567)	-	(1,507,663)
Total accumulated depreciation	<u>(1,518,628)</u>	<u>(267,990)</u>	<u>-</u>	<u>(1,786,618)</u>
Total capital assets being depreciated, net	<u>3,401,066</u>	<u>(139,092)</u>	<u>-</u>	<u>3,261,974</u>
Governmental activity capital assets, net	<u>\$ 4,730,933</u>	<u>\$ 271,980</u>	<u>\$ -</u>	<u>\$ 5,002,913</u>

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3. CAPITAL ASSETS (Continued)

<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land and easements	\$ 276,210	\$ 65,234	\$ -	\$ 341,444
Water shares	\$ -	\$ 18,744	-	18,744
Construction in progress	12,629	180,417	-	193,046
Total assets not being depreciated	<u>288,839</u>	<u>264,395</u>	<u>-</u>	<u>553,234</u>
<b>Capital assets being depreciated:</b>				
Buildings	314,116	-	-	314,116
Improvements	10,781,374	55,781	-	10,837,155
Machinery and equipment	130,598	17,395	-	147,993
Total capital assets being depreciated	<u>11,226,088</u>	<u>73,176</u>	<u>-</u>	<u>11,299,264</u>
<b>Less accumulated depreciation</b>				
Buildings	(81,176)	(7,853)	-	(89,029)
Improvements	(1,096,573)	(270,991)	-	(1,367,564)
Machinery and equipment	(61,666)	(7,848)	-	(69,514)
Total accumulated depreciation	<u>(1,239,415)</u>	<u>(286,692)</u>	<u>-</u>	<u>(1,526,107)</u>
Total capital assets being depreciated, net	<u>9,986,673</u>	<u>(213,516)</u>	<u>-</u>	<u>9,773,157</u>
Business-type capital assets, net	<u>\$ 10,275,512</u>	<u>\$ 50,879</u>	<u>\$ -</u>	<u>\$ 10,326,391</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
Administration	1916
Public works	104
Highways and streets	\$ 242,735
Culture, parks and recreation	23,235
Total depreciation expense - governmental activities	<u>\$ 267,990</u>
<b>Business-type activities:</b>	
Water	\$ 69,402
Sewer	204,070
Municipal Building	8,764
Storm Water	4,456
Total depreciation expense - business-type activities	<u>\$ 286,692</u>

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 4. RETIREMENT PLANS**

**Plan Description.** The City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were \$29,297, \$25,280, and \$19,927 respectively.

The City also sponsors a 401-K deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$10,400 to this plan during the year ended June 30, 2006, and the employees contributed \$850.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS**

The City has the following long-term obligations at June 30, 2006.

In 2002, the City issued \$210,000 Municipal Building Authority Lease Revenue Bonds to finance the purchase of land and construction of the City offices. The bonds are to be repaid from the annual lease proceeds of the Authority. The facilities are leased to the City. The bonds mature on January 15, 2011, and bear interest at a rate of 4.5%. Payments are due annually. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	23,000	5,805	30,812	4.50%
2008	24,000	4,770	30,778	4.50%
2009	25,000	3,690	30,699	4.50%
2010	26,000	2,565	30,575	4.50%
2011	31,000	1,395	34,406	4.50%
	<u>\$ 129,000</u>	<u>\$ 18,225</u>	<u>\$ 157,270</u>	

In 2002, the City issued \$125,000 in Water Revenue Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated March 1, 2002, and mature on March 1, 2017, and bear interest at a rate of 5.00%. Payments are monthly. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	7,041	5,001	12,042	5.00%
2008	7,393	4,649	12,042	5.00%
2009	7,763	4,279	12,042	5.00%
2010	8,151	3,891	12,042	5.00%
2011	8,559	3,483	12,042	5.00%
2012	8,986	3,056	12,042	5.00%
2013	9,436	2,606	12,042	5.00%
2014	9,908	2,134	12,042	5.00%
2015	10,403	1,639	12,042	5.00%
2016	10,923	1,119	12,042	5.00%
2017	11,469	573	12,042	5.00%
	<u>\$ 100,032</u>	<u>\$ 32,430</u>	<u>\$ 132,462</u>	

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)**

In 1992, the City issued \$350,000 in Water Refunding and Revenue Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated January, 1992, and mature on January 1, 2011, with annual payments plus interest at a rate of 0%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	23,000	-	25,007	0.00%
2008	23,000	-	25,008	0.00%
2009	23,000	-	25,009	0.00%
2010	23,000	-	25,010	0.00%
2011	8,000	-	10,011	0.00%
	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 110,045</u>	

In 1981, the City issued \$125,000 in Water Revenue Notes to finance water construction. The notes are to be repaid from water sales from the utility fund. The notes were dated July 13, 1981, annual payments of \$7,285, mature on July 13, 2021, and bear interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	3,505	3,780	7,285	5.00%
2008	3,680	3,605	7,285	5.00%
2009	3,864	3,421	7,285	5.00%
2010	4,057	3,228	7,285	5.00%
2011	4,260	3,025	7,285	5.00%
2012	4,473	2,812	7,285	5.00%
2013	4,697	2,588	7,285	5.00%
2014	4,932	2,353	7,285	5.00%
2015	5,178	2,107	7,285	5.00%
2016	5,437	1,848	7,285	5.00%
2017	5,709	1,576	7,285	5.00%
2018	5,995	1,290	7,285	5.00%
2019	6,294	991	7,285	5.00%
2020	6,609	676	7,285	5.00%
2021	6,774	511	7,285	5.00%
	<u>\$ 75,464</u>	<u>\$ 33,811</u>	<u>\$ 109,275</u>	



NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)**

In 1981, the City issued \$136,000 in Water Revenue Notes to finance water construction. The notes are to be repaid from water sales from the utility fund. The notes were dated July 13, 1981, mature on July 13, 2021, with monthly payments of \$657 including interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	3,810	4,074	7,884	5.00%
2008	4,005	3,879	7,884	5.00%
2009	4,209	3,675	7,884	5.00%
2010	4,425	3,459	7,884	5.00%
2011	4,651	3,233	7,884	5.00%
2012	4,889	2,995	7,884	5.00%
2013	5,139	2,745	7,884	5.00%
2014	5,402	2,482	7,884	5.00%
2015	5,679	2,205	7,884	5.00%
2016	5,969	1,915	7,884	5.00%
2017	6,275	1,609	7,884	5.00%
2018	6,596	1,288	7,884	5.00%
2019	6,933	951	7,884	5.00%
2020	7,288	596	7,884	5.00%
2021	7,492	242	7,884	5.00%
	<u>\$ 82,762</u>	<u>\$ 35,348</u>	<u>\$ 118,260</u>	

In 2002, the City issued \$249,000 in Parity Water Revenue Bonds to finance water construction. The bonds are to be repaid from water sales from the utility fund. The notes were dated 2002, mature October 2042, with monthly payments of \$1,181 including interest at a rate of 4.875%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	2,475	11,697	14,172	4.875%
2008	2,599	11,573	14,172	4.875%
2009	2,728	11,444	14,172	4.875%
2010	2,864	11,308	14,172	4.875%
2011	3,007	11,165	14,172	4.875%
2012-2016	17,439	53,421	70,860	4.875%
2017-2021	22,242	48,618	70,860	4.875%
2022-2026	28,367	42,493	70,860	4.875%
2027-2031	36,180	34,680	70,860	4.875%
2032-2036	46,154	24,706	70,860	4.875%
2037-2041	58,851	12,009	70,860	4.875%
2042	18,160	373	40,154	4.875%
	<u>\$ 241,066</u>	<u>\$ 273,487</u>	<u>\$ 536,174</u>	

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)**

In 2004, the City issued \$7,739,000 in Taxable Sewer Revenue and Refunding Bonds to finance the construction of a sewer system that collects sewer and delivers it to the Logan City treatment plant. The bonds are to be repaid from sewer sales from the sewer utility fund. The bonds mature May 1, 2034, with annual payments varying from \$190,000-\$455,000, including interest at a rate of 0%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2007	200,000	-	200,000	0.0%
2008	200,000	-	200,000	0.0%
2009	205,000	-	205,000	0.0%
2010	205,000	-	205,000	0.0%
2011	205,000	-	205,000	0.0%
2012-2016	1,105,000	-	1,105,000	0.0%
2017-2021	1,270,000	-	1,270,000	0.0%
2022-2026	1,330,000	-	1,330,000	0.0%
2027-2031	1,410,000	-	1,410,000	0.0%
2032-2034	1,219,000	-	1,219,000	0.0%
	<u>\$ 7,349,000</u>	<u>\$ -</u>	<u>\$ 7,349,000</u>	

The City entered into a capital lease arrangement for financing the acquisition of equipment which is recorded 50% in the General Fund and 50% in the Storm Drain Fund. The capital lease has been recorded at the present value of the future minimum lease payments. The equipment recorded under the lease has a purchase price of \$89,120 and accumulated depreciation of \$10,398, for a net carrying value of \$78,722, at June 30, 2006. The current year depreciation expense was \$8,912.

The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2006.

Year	General	Storm Drain	Total
2007	15,404	15,403	30,807
Total minimum lease payments	15,404	15,403	30,807
Less amount representing interest	(557)	(557)	(1,114)
Present value of future minimum lease payments	<u>\$ 14,847</u>	<u>\$ 14,846</u>	<u>\$ 29,693</u>

Transactions affecting long-term obligations are as follows:

Business-type	Bonds Payable	Notes Payable	Capital Lease	Total
Balance, July 1	\$ 8,363,152	\$ 165,476	\$ 58,313	\$ 8,586,941
Additions	-	-	-	-
Retirements	(444,054)	(7,250)	(28,620)	(479,924)
Balance, June 30	<u>\$ 7,919,098</u>	<u>\$ 158,226</u>	<u>\$ 29,693</u>	<u>\$ 8,107,017</u>
Due within 1 year	<u>\$ 255,516</u>	<u>\$ 7,315</u>	<u>\$ 29,693</u>	<u>\$ 292,524</u>

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 6. SHORT-TERM DEBT**

The only short-term debt the City had during the year ended June 30, 2006, was an interfund loan totaling \$4,694. See Note 13 for the detail regarding these interfund loans.

**NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The following funds and/or departments had expenditures in excess of budget:

	Actual	Budget	Excess
General Fund:			
Public works	\$ 74,552	\$ 74,000	\$ (552)
Public safety	\$ 96,385	\$ 95,700	\$ (685)
Sanitation	\$ 151,580	\$ 140,000	\$ (11,580)
Shop	\$ 38,893	\$ 33,000	\$ (5,893)
Planning and zoning	\$ 43,798	\$ 35,700	\$ (8,098)

There were no fund deficits at June 30, 2006.

**NOTE 8. CASH AND INVESTMENTS**

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

**Deposits**

At June 30, 2006, the carrying amount of the City deposits was \$514,851 and the bank balance was \$631,548. Of the bank balance, \$100,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

**Investments**

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

NIBLEY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 8. CASH AND INVESTMENTS (Continued)**

The City's investment types and balances at June 30, 2006, are noted below.

<u>Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Certificates of deposit	Annually	N/A	\$ 900,000
Utah Public Treasurer's Investment Fund	N/A	Not rated	1,959,413
Total investments			\$ 2,859,413
Deposits-cash in bank			514,851
Total cash and investments			<u>\$ 3,374,264</u>
As reported in the			
Cash and cash equivalents			\$ 1,422,996
Restricted cash and cash equivalents			1,943,670
Cash and cash equivalents-Fiduciary Fund			7,598
			<u>\$ 3,374,264</u>

The City does not have a formal investment policy. The City, however, invests the majority of the excess funds in certificates of deposit and the Utah Public Treasurer's Investment Fund (UPTIF). The UPTIF permits the City to withdraw funds one day after giving withdrawal notification.

The custodial risk for investments is the risk that in the event of default or failure of the counterparty, the City will not recover the value of its investment or collateral securities that are in the possession of an outside party. A portion of the City's certificates of deposit are uninsured and uncollateralized investments. The City has no formal policy dealing with custodial credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of fund shares.

NIBLEY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains a Water Utility Fund, a Sewer Utility Fund and a Storm Water Utility Fund which provide water and sewer related services. Segment information for the year ended June 30, 2006, was as follows:

	Water	Sewer	Storm Water	Total
<b>Assets:</b>				
Current assets	\$ 249,764	\$ 269,764	\$ 23,151	\$ 542,679
Other noncurrent assets	592,788	998,612	-	1,591,400
Capital assets	2,239,588	7,790,613	296,190	10,326,391
<b>Total assets</b>	<b>\$ 3,082,140</b>	<b>\$ 9,058,989</b>	<b>\$ 319,341</b>	<b>\$ 12,460,470</b>
<b>Liabilities:</b>				
Current liabilities	\$ 43,973	\$ 200,752	\$ 39,052	\$ 283,777
Due to other funds	-	-	4,694	4,694
Non-current liabilities	559,493	7,149,000	106,000	7,814,493
<b>Total liabilities</b>	<b>\$ 603,466</b>	<b>\$ 7,349,752</b>	<b>\$ 149,746</b>	<b>\$ 8,102,964</b>
<b>Net assets:</b>				
Investment in capital assets, net of related debt	\$ 1,640,264	\$ 441,613	\$ 152,344	\$ 2,234,221
Restricted for debt service	64,002	95,604	-	159,606
Restricted for development	528,786	903,008	-	1,431,794
Unrestricted	245,622	269,012	17,251	531,885
<b>Total net assets</b>	<b>\$ 2,478,674</b>	<b>\$ 1,709,237</b>	<b>\$ 169,595</b>	<b>\$ 4,357,506</b>
<b>Operating revenues:</b>				
Charges for service	\$ 430,662	\$ 378,828	\$ 81,377	\$ 890,867
Grants and contributions	-	-	-	-
Operating expenses, excluding depreciation	(231,355)	(207,843)	(7,635)	(446,833)
Depreciation	(69,402)	(204,070)	(13,220)	(286,692)
<b>Operating income</b>	<b>129,905</b>	<b>(33,085)</b>	<b>60,522</b>	<b>157,342</b>
<b>Non-operating revenues:</b>				
Interest expense	(24,847)	-	(4,491)	(29,338)
Impact fees	324,000	319,900	-	643,900
Intergovernmental	-	-	-	-
Interest income	32,559	47,306	-	79,865
Operating transfer in (out)	(48,000)	(49,000)	1,000	(96,000)
<b>Change in net assets</b>	<b>413,617</b>	<b>285,121</b>	<b>57,031</b>	<b>755,769</b>
<b>Beginning net assets</b>	<b>2,065,057</b>	<b>1,424,116</b>	<b>112,564</b>	<b>3,601,737</b>
<b>Ending net assets</b>	<b>\$ 2,478,674</b>	<b>\$ 1,709,237</b>	<b>\$ 169,595</b>	<b>\$ 4,357,506</b>

NIBLEY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 10. PUBLIC UTILITY FUND**

At June 30, 2006, the City had 1,072 water connections and 1,082 sewer connections. During the year, 141 new water and 141 new sewer connections were made. The City had no outstanding work orders for connections at June 30, 2006.

**NOTE 11. SUMMARY OF INSURANCE**

<u>Description of insurance</u>	<u>Insurer</u>	<u>Expiration Date</u>	<u>Amount</u>
Comprehensive general liability	Utah Local Government Trust	8/5/2006	\$ 5,000,000
Errors and omissions	Utah Local Government Trust	8/5/2006	\$ 5,000,000
Automobiles - liability	Utah Local Government Trust	8/5/2006	\$ 6,000,000
Fire: buildings and contents	Utah Local Government Trust	8/5/2006	\$ 633,400
Public Officials Treasurer bond	Utah Local Government Trust	4/1/2007	\$ 100,000

**NOTE 12. RECONCILIATION OF INTERFUND BALANCES**

The following table provides a reconciliation of all interfund transfers:

Transfer to:		Transfer from:	
Capital Project Fund	\$ 264,185	General Fund	\$ 264,185
General Fund	\$ 48,000	Water Fund	\$ 48,000
General Fund	\$ 48,000	Sewer Fund	\$ 48,000
Storm Water Fund	1,000	Sewer Fund	1,000
	<u>\$ 361,185</u>		<u>\$ 361,185</u>

The transfer from the General Fund to the Capital Project Fund was for highways and streets, parks and to transfer library funding.

The transfer from the Water Fund and Sewer Fund to the General Fund was for operating capital.

The transfer from the Sewer Fund to the Storm Water Fund was to fund capital items.

The due to/due from is to cover a short-term cash deficit.

**Municipal Building Authority:**

Due to Water Fund	<u>\$ 4,694</u>
Total Due to other funds	<u>\$ 4,694</u>

**General Fund:**

Due from Municipal Building Authority Fund	<u>\$ 4,694</u>
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Total Due from other funds	<u>\$ 4,694</u>
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NIBLEY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 13    CORRECTION OF AN ERROR-CAPITAL ASSETS**

An error was found in the beginning balance of machinery and equipment and the beginning balance of accumulated depreciation-infrastructure. These errors were corrected in 2006. The affect on the beginning balances of the following accounts is as follows:

	Beginning Balance, Previously Reported	Corrections	Beginning Balance, Corrected
Governmental activities:			
Machinery and equipment	\$ 232,660	\$ 40,748	\$ 273,408
Accumulated depreciation- infrastructure	(1,392,875)	112,779	(1,280,096)
Net assets	(5,788,946)	(153,527)	(5,942,473)

NIBLEY CITY CORPORATION  
MAJOR CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ 33,000	\$ 32,843	\$ (157)
Investment earnings	-	-	-	-
Restaurant tax grant	3,716	3,716	3,716	-
Total revenues	<u>3,716</u>	<u>36,716</u>	<u>36,559</u>	<u>(157)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	350,000	295,000	292,348	2,652
Culture, parks and recreation	159,000	139,185	134,022	5,163
Total expenditures	<u>509,000</u>	<u>434,185</u>	<u>426,370</u>	<u>7,815</u>
Excess of revenues over expenditures	<u>(505,284)</u>	<u>(397,469)</u>	<u>(389,811)</u>	<u>7,658</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	373,460	275,000	264,185	(10,815)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>373,460</u>	<u>275,000</u>	<u>264,185</u>	<u>(10,815)</u>
Net change in fund balances	<u>(131,824)</u>	<u>(122,469)</u>	<u>(125,626)</u>	<u>(3,157)</u>
Fund balances - beginning	<u>723,526</u>	<u>723,526</u>	<u>723,526</u>	-
Fund balances - ending	<u>\$ 591,702</u>	<u>\$ 601,057</u>	<u>\$ 597,900</u>	<u>(3,157)</u>



NIBLEY CITY CORPORATION  
NON-MAJOR SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ -	\$ 1,881	\$ 1,881	\$ -
Investment earnings	-	-	2,117	2,117
Total revenues	-	1,881	3,998	2,117
EXPENDITURES				
Current:				
Highways and streets	8,000	9,881	4,301	5,580
Culture, parks and recreation	-	-	-	-
Total expenditures	8,000	9,881	4,301	5,580
Excess of revenues over expenditures	(8,000)	(8,000)	(303)	7,697
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(8,000)	(8,000)	(303)	7,697
Fund balances - beginning	84,987	84,987	84,987	-
Fund balances - ending	\$ 76,987	\$ 76,987	\$ 84,684	7,697

**NIBLEY CITY CORPORATION  
SCHEDULE OF IMPACT FEES  
FOR THE YEAR ENDED JUNE 30, 2006**

The State of Utah requires the following information on impact fees to be reported in the supplemental data section of the financial statements.

The City has implemented the collection of impact fees on new development for parks, water system development, sewer system development and storm water system development. The fees are collected to expand the respective infrastructure as outlined in a properly approved capital facilities plan to handle new growth. If the City does not expend the impact fees within five years of collection, the fees must be rebated back to the property owners or the fees must be designated for a project by the City Council and spent within the designated time frame. As of June 30, 2006, the impact fee activity is as follows:

<u>Impact Fee</u>	<u>Balance, June 30, 2005</u>	<u>Additions</u>	<u>Expenditures</u>	<u>Balance, June 30, 2006</u>
Parks	\$ 286,250	\$ 131,020	\$ (65,000)	\$ 352,270
Water system development	379,736	329,467	(180,417)	528,786
Sewer system development	938,510	354,498	(390,000)	903,008
Storm water system development	-	-	-	-
	<u>\$ 1,604,496</u>	<u>\$ 814,985</u>	<u>\$ (635,417)</u>	<u>\$ 1,784,064</u>

**Parks:**

The City collects impact fees for new park development and acquired land in 2006 for a new park.

**Water:**

The City collects water impact fees for improvements to the culinary water system. All impact fees are designated for expenditure in fiscal years 2007 and 2008 for water line development.

**Sewer:**

The City collects sewer impact fees for improvements to the sewer collection and distribution system. All impact fees are designated for expenditure in fiscal years 2007-2012 for sewer line development and debt payments on the new collection and distribution plant.

**NIBLEY CITY CORPORATION**  
**MANAGEMENT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

NIBLEY CITY CORPORATION  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2006

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Mayor & City Council  
Nibley City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Nibley City Corporation as of and for the year ended June 30, 2006, which collectively comprise Nibley City Corporation's basic financial statements and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Nibley City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters which are included in the accompanying Schedule of Findings, Recommendations and Responses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nibley City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

This report is intended solely for the information and use of Nibley City Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Wiggins & Co., PC*

Brigham City, Utah 84302  
December 1, 2006

INDEPENDENT AUDITORS' REPORT ON  
STATE OF UTAH LEGAL COMPLIANCE

To the Mayor & City Council  
Nibley City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Nibley City Corporation as of and for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2006. As part of our audit, we have audited Nibley City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah.

B & C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation & Property Tax Limitations  
Justice Courts Compliance  
Impact Fees  
Other General Requirements  
Impact Fees  
Building Permits

The management of Nibley City Corporation is responsible for the City's compliance identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have reported to the management of Nibley City Corporation in the Schedule of Findings, Recommendations and Responses for the year ended June 30, 2006. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Nibley City Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Wiggins & Co., PC*

Brigham City, Utah  
December 1, 2006



**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**STATE LEGAL COMPLIANCE FINDINGS**

**1. CASH MANAGEMENT**

**Finding:**

State statutes require that all governmental entities deposit funds within three days of receipt of the funds. During testing, we found two separate instances where the City went more than three business days without depositing funds. It was also noted that the City's Justice Court did not always deposit funds within three business days as required by state statute.

**Recommendation:**

We recommend that the City take the steps necessary to deposit funds as required by state statutes, even when staff are absent or during busy times of the year.

**Response:**

The City agrees and will comply.

**2. CASH MANAGEMENT**

**Finding:**

During testing, we noted that the City's Treasurer Bond does not give the City the amount of coverage required by state law.

**Recommendation:**

We recommend that the City raise the Treasurer's Bond to ensure compliance with state law.

**Response:**

The City agrees and has already ordered a new bond.

NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006

3.      **PURCHASING POLICIES**

**Finding:**

We noted that the City has yet to adopt a formal purchasing policy. Per state statute, the City is required to have a written purchasing policy adopted by the City Council.

**Recommendation:**

We recommend that the City adopt formal purchasing policies, established in writing and approved by the City Council. We also recommend that the City include a policy on bid thresholds and processes for the receipt and acceptance of bids as well as a policy regarding the use of credit cards.

**Response:**

The City agrees and will implement in the next 60 to 90 days.

4.      **TRUTH IN TAXATION**

**Finding:**

During review of the minutes and through inquiry of management, we found that the City did not formally adopt their certified tax rate.

**Recommendation:**

This is a continuing finding (third consecutive year). We recommend that the City adopt the certified tax rate each year, regardless of changes, per Utah law. We also recommend that the City advertise the tax rate hearing to comply with state statute. It was noted during testing that the FY07 rate was formally set and adopted for next year.

**Response:**

Resolution 06-09 passed by the Council on August 3, 2006 set the certified tax rate for property taxes for fiscal year 2007.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**5. BUDGETARY COMPLIANCE**

**Finding:**

Utah Code Section 10-6 states that elected and appointed officials of any government shall not incur expenditures or encumbrances in excess of the total appropriation for any department. The following General Fund departments had expenditures in excess of appropriations for the year ended June 30, 2006:

Public works  
Public safety  
Planning & zoning  
Sanitation  
Shop

**Recommendation:**

This is a continued finding. We recommend that the City monitor expenditures and make necessary budgetary changes, as appropriate.

**Response:**

The management of the City agrees with this finding and will take steps to comply in future years.

**6. RECORD RETENTION**

**Finding:**

The City's record retention policy requires that certain records be retained for specific amounts of time. During testing, we were unable to locate timesheets from FY04 or FY05. According to the City's policy, timesheets should be maintained and retained for at least three years.

**Recommendation:**

We recommend that the City take measures to comply with the record retention and storage policies.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**6. RECORD RETENTION (continued)**

**Response:**

The timesheets in question were inadvertently cleaned out too soon. We will keep them for longer periods in accordance with our policy.

**7. UNCLAIMED PROPERTY RECORDS**

**Finding:**

We found that the City hasn't filed an unclaimed property report. It has been the City's practice to void most unclaimed checks.

**Recommendation:**

We recommend that the City comply with state requirements and begin to file the unclaimed property report containing the unclaimed checks and building deposits that are three years or older.

**Response:**

The City agrees with this finding and the City Council will discuss this and consider a policy related to building deposits.

**8. B&C ROAD FUNDS**

**Finding:**

During our testing, we noted that the City has not sent its state legal compliance report to UDOT. The City was unaware of the requirement to send its report to UDOT regardless of whether or not there are findings in the report.

**Recommendation:**

We recommend that the City begin to send the required report to UDOT.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**8. B&C ROAD FUNDS (continued)**

**Response:**

The City agrees with this finding and will send the report to UDOT, as required.

**9. BUILDING PERMITS**

**Finding:**

We found that the City's fourth quarter building permit surcharge report for the quarter ended June 30, 2006, was not filed until September 11, 2006. The reports are due to the State by the 10<sup>th</sup> of the month following the end of the quarter.

**Recommendation:**

We recommend the City take the necessary measures to ensure timely filing of all the building permit surcharge reports.

**Response:**

The City agrees with this finding and will file the reports timely in the future.

**10. JUSTICE COURT**

**Finding:**

We found that the Court had dismissed a no proof of insurance charge, when the supporting documentation attached to the docket showed that the individual did not in fact have insurance as of the day of their citation. We also noted that the City has begun to charge a credit card processing fee to defendants who paid their fines by credit card. Per the Administrative Office of the Courts, the City is not allowed to do so. We also found that many of the dismissed charges on the dockets were not being entered into the Court computer system and that the court clerk was not signing most of the dockets.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**10. JUSTICE COURT (continued)**

Also, two of the Court's surcharge reports to the state were filed late. These reports are due to the State by the tenth of each month. Another surcharge report erroneously overpaid the State by \$141.25. As mentioned above, the Court is also not depositing funds every three business days.

**Recommendation:**

We recommend that the City take the necessary steps to ensure that the Court clerk keeps detailed records in accordance with the requirements of the Administrative Office of the Courts and adhere to all applicable laws and statutes with regard to the dismissal of cases, charging of fees and filing of reports.

**Response:**

We have not charged a processing fee since one month after starting the practice. All dismissed charges are entered into the computer. We do not understand why the auditor feels otherwise. We agree that reports should be filed in a timely manner. Steps are being taken to receive a refund of the overpayment mentioned.

**INTERNAL CONTROL FINDINGS**

**11. MINUTES**

**Finding:**

While reviewing the minutes, we noted that from the end of August 2005 through the end of the calendar year many of the formal minute documents were not signed by the mayor.

**Recommendation:**

We recommend that the City have the Mayor or Mayor pro-tem sign the minutes.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**11. MINUTES (continued)**

**Response:**

The City agrees with this finding and will have the minutes formally signed.

**12. DISBURSEMENTS**

**Finding:**

It was noted during testing, that the City does not document the account coding on their invoices and that the supporting documentation for several checks written in June was filed in the wrong fiscal year.

**Recommendation:**

We recommend that the City begin to document on the invoices the coding of the checks and that care be taken to file the supporting documentation in the proper fiscal year.

**Response:**

The City agrees with this finding and has started to code all invoices.

**13. CREDIT CARDS**

**Finding:**

We found that the majority of the credit card purchases are conducted by the City Administrator but when the monthly statements come and are submitted for payment, no separate review and approval of the monthly activity is done.

We also noted that the meals and other incidentals purchased on the credit card do not have the required IRS documentation noted on the receipts. IRS regulations require that the business purpose, those at the business meeting and the date and amount be noted on the face of the receipt.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**13. CREDIT CARDS (continued)**

**Recommendation:**

We recommend that a member of the City Council or the Mayor review all of the credit card purchases and note the review and approval on the face of the statement along with the accounts that should be charged in the general ledger. This would enhance the internal control over credit card usage.

We also recommend that the City comply with IRS regulations when charging meals and other incidentals.

**Response:**

Because the City does not use the expense of meals as a business deduction for income tax purposes, we fail to see the reason to comply with the IRS regulations. However, it is a good practice to have the credit card purchases reviewed by someone other than the user.

**14. PAYROLL**

**Finding:**

We found that the timesheets of many City employees do not have a documented review and approval noted on the timesheet. We also noted that, currently, there are no written records being kept to track comp time.

**Recommendation:**

We recommend that the City Administrator or a department director or supervisor review and approve all timesheets and that this review and approval be clearly documented on each timesheet. We also recommend that the City use their new software to aid in accounting for comp time and that the City adopt formal policies and procedures related to the use and accrual of comp time.

**Response:**

The City does have a policy on the use of comp time. The City agrees that proper review is necessary.



**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**15. HERITAGE DAYS**

**Finding:**

It was noted during testing that the City is currently reimbursing citizens for their travel and meals when they travel out of town to purchase items for Heritage Days.

**Recommendation:**

We recommend that the City discontinue the practice of reimbursing citizens for their travel and meals out of town or that formal policies and procedures be developed to establish consistency in what is being reimbursed and the kind of documentation that will be required to be submitted to the City.

**Response:**

This should be a policy decision of the City Council.

**16. RECONCILIATIONS**

**Finding:**

We noted, during our testwork, that the Court bank account was not reconciled in a timely manner and that some of the deposits in the Utah State Public Treasurer's Investment Fund (PTIF) account were not recorded on the general ledger.

**Recommendation:**

We recommend that the City perform bank and other cash account reconciliations monthly. It is very important that reconciliations be done so that errors may be corrected in the general ledger, in a timely manner. We also recommend that all reconciliations be reviewed and approved by someone other than the preparer. In some instances, this may require review and approval by the Mayor or a member of the City Council.

**Response:**

The City agrees with this finding.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**17. BUILDING DEPOSITS**

**Finding:**

We noted that part of the City's building deposit liability is recorded in the computer system and part of it is recorded in a notebook, with some of the deposit liability dating back to 2004. Many old deposits were noted in the detail and there was uncertainty as to whether the deposits should be returned to the homeowner or developer.

**Recommendation:**

We recommend that the City perform monthly reconciliations of the building deposits to ensure that the records are accurate. We also recommend that the City develop policies and procedures regarding the refunding of such deposits and that any old, unclaimed deposits be sent to the Utah State Treasurer as unclaimed property.

**Response:**

The City agrees with this finding.

**18. FEES ON LATE UTILITY PAYMENTS**

**Finding:**

We found that the City does not maintain a firm cutoff date regarding when a late fee should be assessed on utility accounts. The City's policy states that payments are late if received after the 20<sup>th</sup>, but the current practice has been to deal with the late fees on an account by account basis. There is no consistent date used to assess late fees.

**Recommendation:**

We recommend that the City enforce the firm cutoff date and assess late fees to the utility accounts, as required by City policy.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**18. FEES ON LATE UTILITY PAYMENTS (continued)**

**Response:**

The City feels that it should maintain some flexibility in order to help our citizens who are attempting to pay their bills. The auditor felt that a cutoff date on a weekend should be enforced. We disagree.

**19. OLDER INVOICES**

**Finding:**

We noted that the City received and paid invoices as old as February 2004 during the fiscal year. It was also noted that many of the invoices from the same company include a description only of "billing for miscellaneous services."

**Recommendation:**

We recommend that the City ensure that all invoices submitted for payment be for current year services or projects and that the City require vendors to be specific in the description of services performed.

**Response:**

The City has already corrected the issues noted in this finding.

**20. JOURNAL ENTRIES**

**Finding:**

While testing journal entries we became aware that the City does maintain some supporting documentation for journal entries. When possible, all journal entries should be reviewed and approved by someone other than the preparer. In order to facilitate this, the mayor or an appointed council member may have to be involved.

**NIBLEY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

**20. JOURNAL ENTRIES (continued)**

**Recommendation:**

This is a continuing finding. We recommend that the City use a formal journal entry form that would have specific areas for the appropriate approvals. We recommend that the City maintain supporting documentation and attach it to all journal entries. This will provide the documentation necessary to establish the approvals, evaluate the propriety of the journal entry and enhance internal controls in this area.

**Response:**

This finding was communicated to us in the prior fiscal year audit. The Mayor has been reviewing the journal entries from the time we were notified of the need to do so.

**NIBLEY CITY CORPORATION  
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS  
FOR THE YEAR ENDED JUNE 30, 2006**

**STATE LEGAL COMPLIANCE FINDINGS**

**1. TRUTH IN TAXATION**

**Finding:**

During review of the minutes and through inquiry of management, we found that the City did not formally adopt their certified tax rate. It was management's understanding that they only needed to do this if the rate was being raised.

**Recommendation:**

This is a continuing finding. We recommend that the City adopt the certified tax rate each year, regardless of changes, per Utah law. We also recommend that the City advertise the tax rate hearing to comply with state statute.

**Status:**

The City did hold a hearing to set their tax rate for FY07 but not for 2006. See current year findings and recommendations.

**2. BUDGETARY COMPLIANCE**

**Finding:**

Utah Code Section 10-6 states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department. We noted that the following General Fund departments were over budget:

Legislative  
Judicial  
Administration  
Legal  
Highways and streets  
Sanitation  
Shop

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**2. BUDGETARY COMPLIANCE (continued)**

**Recommendation:**

We recommend that the City monitor expenditures and make necessary budgetary changes when appropriate.

**Status:**

Still a finding for 2006. See current year findings and recommendations.

**3. OTHER GENERAL COMPLIANCE ISSUES**

**Finding:**

Utah Code section 10-6-116(2) states that the maximum in the general fund balance may not exceed 18% of the total estimated revenue of the general fund. We noted that the general fund balance of Nibley City exceeds this allowance.

**Recommendation:**

We recommend that the City take measures to reduce the general fund balance to the required parameters.

**Status:**

Corrected.

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**INTERNAL CONTROL FINDINGS**

**4. PAYROLL**

**Finding:**

While reviewing the payroll files during internal control testing, we noted that I-9's were not maintained on some City employees. Federal labor laws require that the City obtain Form I-9 with appropriate documentation for any employee hired after 1987.

**Recommendation:**

This is a continuing finding. We recommend that the City obtain the appropriate documentation from all current employees as well as having the documentation in place at the point of hire for all future employees.

**Status:**

This was much better in 2006.

**5. JOURNAL ENTRIES**

**Finding:**

While testing journal entries we became aware that the City does maintain some supporting documentation for journal entries. When possible, all journal entries should be reviewed and approved by someone other than the preparer. In order to facilitate this, the mayor or an appointed council member may have to be involved.

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**Recommendation:**

This is a continuing finding. We recommend that the City use a formal journal entry form that would have specific areas for the appropriate approvals. We recommend that the City maintain supporting documentation and attach it to all journal entries. This will provide the documentation necessary to establish the approvals, evaluate the propriety of the journal entry and enhance internal controls in this area.

**Status:**

Still an issue in the current year findings.

**6. CAPITALIZATION POLICY**

**Finding:**

The City does not currently have a formal (written) capitalization policy outlining threshold amounts for the capitalization of fixed assets.

**Recommendation:**

This is a continuing finding. We recommend that the City adopt formal policies regarding a useful life table and capitalization policy for fixed asset accounting.

**Status:**

Implemented.

**7. ACCOUNTING SYSTEMS**

**Finding:**

During testing, we noted that the City currently uses two accounting systems. The City Recorder produces checks from QuickBooks and then duplicates his efforts by re-entering all data into the Caselle system, which is the software the City uses to maintain its general ledger. This seems to be a duplication of effort.



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**7. ACCOUNTING SYSTEMS (continued)**

**Recommendation:**

This is a continuing finding. We recommend that the City consider obtaining, from Caselle, the accounts payable and cash disbursement modules, which will interface with the present general ledger software and eliminate the use of QuickBooks. Any cost to the City should be recouped in time savings by not having to re-enter all of the disbursements. This would free up some time for the City Recorder to work on other issues.

**Status:**

The City purchased the accounts payable and cash disbursement modules during the fiscal year and discontinued the use of QuickBooks.

**8. RETURNED CHECKS**

**Finding:**

While reviewing the pooled cash account, we noted that the reconciliation included returned checks from consumers that required follow-up action and/or re-depositing. The returned check listing appeared to have items included that should have been adjusted out of the reconciliation.

**Recommendation:**

We recommend that a reconciliation of returned checks be performed and that returned checks be re-deposited timely. The existing outstanding checks should be reviewed and collected or written off. The City should adopt a formal policy to deal with consumer accounts and returned checks.

**Status:**

This was much better in 2006. The City still needs to reconcile returned checks as part of the monthly bank reconciliation. See current year findings and recommendations.